



World Bank Group Agriculture Finance Quarterly Newsletter Vol.II

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Covid-19 Updates

Opening Statement

We wish all our AgriFin members well and stay strong in this extraordinary time. In this newsletter, we have tried to cover the COVID-19 related information as much as possible including some early observations from our client countries. For now, the policy measures handle agriculture finance within the broader agriculture and financial sector issues. However, the situation is evolving, and the COVID-19 can damage agriculture production and food supply chains further, which may lead to a food security crisis. We may see specific measures on agricultural finance required in the near future, and we will keep you all posted.

COVID-19 Impact on Agriculture Finance

The Agrifin and the Agriculture Finance CoP collected initial observations related to the impact of COVID 19 on agriculture finance. Please find below a summary of anecdotal evidence we have heard from bankers, development partners, and regulators in Albania, Cote d'Ivoire, Georgia, Moldova, the Netherlands, Peru, Rwanda, Uganda, and Ukraine who responded to our request:

- **The food supply chain, especially from farm gate to local markets, has been interrupted by economic lockdowns causing the price of staple foods to increase in some countries.** While this is partially prompted by opportunistic behaviors of traders, which can be mitigated in the short-run, the supply of crops may decrease in the mid- to long-run if such lockdowns continue and disrupt the distribution of agriculture inputs for planting.
- **While in tendency negative, the impact of the pandemic on the supply of agricultural products will likely differ between countries.** Over half of the farmers and agribusinesses who responded to a survey in Georgia face challenges related to the limited transportation of their products. Similarly, countries such as Moldova, Rwanda and Uganda are expected to see shortages in their agricultural production due to the limited access to key inputs for production such as seeds, animal feeds, and labor. On the other hand, other countries, such as Ukraine, have yet to see any major impact. Some agro-processing companies in Peru are operating at half of their capacity mainly due to the labor shortages. The agriculture export has been disrupted by lockdowns (shortage of labor and limited local transport) and closure of borders in East Africa impacting the exports from Rwanda and Uganda. Due to the lack of proper storage facilities and limited transportation, some exporters in Cote d'Ivoire and Rwanda face the risk of losing aggregated agricultural produce and contracts with international buyers. Some global supply chains such as fresh flowers are heavily impacted due to lockdowns and the production in developing countries such as Ethiopia is significantly damaged.

- **The demand for high-value food products (e.g. horticulture and meat) may decrease as the economic impact deepens and the incomes of the urban middle classes are affected.** On the other side, demand for food and other agricultural goods that have a low price elasticity can be expected to remain at current levels.
- **Financial institutions are closely monitoring the borrowers, anticipating re-scheduling and defaults.** Some borrowers in the Netherlands, Moldova, Rwanda, and Ukraine are already reporting potential delays in their payments and banks have started offering credit holidays. Indeed, the survey in Georgia shows that 40% of the farmers and agribusinesses have postponed loan repayments. In these countries, agro-traders, processors and retailers, including hotels and restaurants, are stuck with limited raw materials, labor, declining business volumes and increasing transportation costs. Strict collateral requirements are applied to new loan applications in Ukraine and the increasing payment risks may reduce the supply of trade finance in agriculture. Thirty five percent who responded to the survey in Georgia said that taking new loan is a problem. The bankers in Moldova predict that financing for agricultural imports/exports may decline due to the boarder closings. Some MFIs and SACCOs in Rwanda are afraid of sudden cash withdrawals. Overall, long-term lending is slowing down in response to the uncertain market conditions.
- **The governments and central banks are requiring banks to reschedule loans as much as possible to prevent a credit crunch.** Some regulators have already relaxed the loan classification and provisioning requirements to facilitate the rescheduling of loans (Albania and Moldova) and have decided to provide liquidity to ease the pressure (Rwanda). We are just seeing the initial impact on agriculture finance and many countries are expected to introduce various policy measures as the situation evolves.

AgriFin is conducting a simple survey to gather more observations. Please go to the link below to access the survey. We would greatly appreciate your participation. The results will be shared in the future communication.

Take the AgriFin Survey

Other Covid-19 related resources:

CGAP: Coronavirus (COVID-19) & Inclusive Finance: Lessons from Past Crises

| [Read more](#)

FAO: COVID-19 Pandemic – Impact on Food and Agriculture

| [Read more](#)

Presentation slide: [Coronavirus Food Supply Chain Under Strain What to do?](#)

FAO: Big Data tool on food chains under the COVID-19 pandemic

| [Read more](#)

The EU Response to Support Agriculture During the COVID-19

| [Read more](#)

IFPRI Resources and Analyses on the Coronavirus Disease (Covid-19) Pandemic

| [Read more](#)



BBL – The U.S. Crop Insurance Program: Recent Developments

The Federal Crop Insurance Corporation (FCIC) was created in 1938 to carry out the crop insurance program to help agriculture recover from the combined effects of the Great Depression and the Dust Bowl. Initially, the program was started as an experiment, and did not take off until passage of the Federal Crop Insurance Act of 1980, along with significant reforms in 1994 and 2000. In recent years the crop insurance has grown to cover over \$100

billion of crop value with the subsidies of \$8 billion per year most of which partially covers the premium. During the discussion, Mr. Worth, Chief Actuary of USDA, emphasized that the US agriculture insurance program took 40-50 years to grow based on the continuous learning from the mistakes. Lessons and challenges of the program discussed in the session include:

- Insurance helps farmers to have a long-term view by covering short-term production risks. This encourages them to make long-term investments in climate smart agriculture and other technologies.
- Revenue protection insurance is the most popular product and easily structured for corn thanks to the availability of the price data from the commodity exchange.
- Basis risk related to index insurance products is difficult to reduce. It also takes time to establish actual loss and makes payments for the area yield products.

| See the [presentation](#) of the event.



CGAP Webinar | Building Agent Networks at the Last Mile: New Insights for Providers

How can digital financial services providers build viable cash-in/cash-out agent networks in rural areas? Remote areas pose special challenges for providers, as low population densities often mean low transaction volumes and weak incentives for businesses to serve as agents. Based on a new CGAP publication, "[Agent Networks at the Last Mile](#)" (2019), panelists discussed

how digital financial services providers are finding new ways to tackle this challenge around the world. Panelists included Emilio Hernandez (CGAP), Jojo Malolos (JG Digital Equity Ventures), Ronald Webb (Payments Professional) and Karthik Natarajan (Boonbox).

| See the [recording](#) and webinar materials.



IFC West Africa Warehouse Receipt Financing Forum

From November 4-5, 2019, the FCI IFC advisory team led by David Ivanovic and Jean Saint-Geours organized the first-ever "IFC West Africa Warehouse Receipt Financing Forum" in Accra, Ghana. The objective of this EFI initiative was to highlight and create energy around how warehouse receipt financing reforms can unlock new markets for financial and warehousing services in agriculture.

| [Read more.](#)

Knowledge Features

Launch of Center of Excellence on Cooperative Financial Institutions (CFIs)



The World Bank is launching, with support from the Dutch Government and from Rabo Foundation, a project to foster the sound development of Cooperative Financial Institutions worldwide. The three-year project will support two activities: the first activity aims to strengthen the regulations and supervision of CFIs in three countries, in which Rabo will assist in parallel one or more relevant and representative CFIs; the second activity will help establish and operate a Center of Excellence on CFI Regulation, Supervision and Promotion. The Center of Excellence includes a website, which you can access [here](#). This month it features [a blog by Dave Grace from ICURN](#) (International Credit Union Regulators Network) with the title: "A Framework for Weathering the COVID-19 Economic Fallout in Financial Cooperatives".

| Access the website [here](#).



Agriculture Finance Diagnostic: Zambia

The agriculture finance diagnostic in Zambia, conducted by the FCI GP through collaboration with the AG GP and IFC, presents the main findings and a set of key recommendations based on the analysis of the demand and supply of agriculture financial services as well as enabling environment. The objective of the diagnostic was to assess key opportunities for and constraints to the development of a commercially viable agriculture finance market. This report also makes recommendations for the main public and private stakeholders with the goal of enhancing farmer and agricultural Small and Medium Enterprise (SME) access to and use of financial services. Other Agriculture finance diagnostics are available in the [Agrfin C4D web](#).

| Read [more](#).



Assets Matter to Poor People: But What Do We Know about Financing Assets?

CGAP Publication by Sai Krishna Kumaraswamy, Max Mattern, and Emilio Hernandez

In the wake of advances in technology and business models, an increasing number of poor households are gaining access to financing for physical assets ranging from smartphones to solar panels. However, even as poor people increase their borrowing for these assets, their impact on people's livelihoods—and how debt affects the benefits of asset ownership—remains poorly understood. CGAP has undertaken a comprehensive review of the available evidence to understand (i) how asset ownership can lead to improvements in well-being for poor households and (ii) whether obtaining an asset through a loan or lease as opposed to a transfer, grant, or outright purchase affects the benefits associated with ownership. The review focuses on recent evidence on physical assets like household appliances, livestock, machinery, and mobile phones, but does not include land. It also excludes financial assets like savings and intangible assets

like social networks. The term “financing” is broadly used to include credit and leasing.

| [Read more.](#)



E-Commerce Is Taking Off in Rural China: 3 Lessons for Other Countries

China is the world's largest e-commerce market and accounts for \$2 trillion in annual sales. In recent years, e-commerce has spread from China's cities into its rural areas with its many low-income households. In fact, e-commerce is growing fastest in some of the country's poorest provinces. Recently, CGAP went to China's eastern coast to gain a better understanding of what is driving the success of e-commerce in rural areas and to extract lessons for countries where e-commerce is just taking off.

| [Read more.](#)



Self-Paced e-Training: MSMEs in the Forest Sector

This course developed by the World Bank will help you better understand the concepts related to micro, small and medium enterprises (MSMEs) and the forest sector.

This course is organized into six modules:

- Module 1 provides an introduction to the overall course on MSMEs in the forest sector, detailing the key concepts and terms that will be used throughout the rest of the course.
- Module 2 presents the business models and value chains of forest enterprises.
- Module 3 explains the topic of competitiveness for MSMEs in the forest sector.
- Module 4 discusses issues related to access to finance for MSMEs in the forest sector.
- Module 5 demonstrates the concepts, ideas, and terms that were discussed in the previous four modules through case studies.
- Module 6 includes 20 course-end questions.

| [Please enroll from here.](#)

What Caught Our Eye



Farmers' Willingness to Participate in a Big Data Platform

A research article by Madeline Turland and Peter Slade

This paper uses a hypothetical choice experiment to examine farmers' willingness to share their farm data with a big data platform. We found that, on average, 36% of farmers are willing to join such a platform. Participation is affected by the characteristics of both the platform and the farmer. The organization operating the big data platform is particularly important: farmers are most willing to

share their data with university researchers and least willing to share their data with government. Not surprisingly, farmers with strong privacy preferences are less likely to join a big data platform. However, we found that relatively small financial and nonfinancial benefits significantly increased participation, even among farmers who stated strong privacy preferences.

| [Read more.](#)



MEDA Innovative Digital Learning Event: NTF4Ag: Emerging Lessons and New Frontiers

MEDA and its partners shared experiences of designing, testing, and scaling non-traditional finance solutions and agricultural technologies for smallholder farmers across eight contexts — Bangladesh, Bolivia, Kenya, Malawi, Nepal, Pakistan, Peru, and Rwanda. The presentations and videos of nine research projects and discussions are available on the website.

| [Read more.](#)



Expert Consultation with Financial Service Providers: Understanding the Sustainability Issues Agricultural Producers Need to Consider to be Investment-Ready and Access Finance

Access to finance is vital for agricultural producers. It enables them to purchase inputs or pay for working capital and make long-term investments that are needed to add value to their farming operations while strengthening their climate resilience. However, agricultural producers often have difficulty obtaining that finance, despite their role as significant drivers of agricultural production and employment in developing countries. To better understand the issue, the study examined what risks and sustainability issues financial service providers (FSPs) consider relevant when assessing finance requests from agricultural producers.

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